

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>TOWNSHIP OF LAPEER</b>	County <b>LAPEER</b>
Audit Date <b>6/30/2005</b>	Opinion Date <b>8/18/2005</b>	Date Accountant Report Submitted to State: <b>11/15/2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |                              |  |   |
|------------------------------|--|---|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

### We have enclosed the following:

The letter of comments and recommendations.

Reports on individual federal financial assistance programs (program audits).

Single Audit Reports (ASLGU).

Enclosed	To Be Forwarded	Not Required
X		
		X
		X

Certified Public Accountant (Firm Name) <b>BROWN &amp; KENT, PC</b>			
Street Address <b>951 S MIAN ST, SUITE #3</b>		City <b>LAPEER</b>	State <b>MI</b>
Accountant Signature <i>Clark D Kent, CPA</i>		ZIP <b>48446</b>	Date <b>11/15/2005</b>

**TOWNSHIP OF LAPEER  
LAPEER, MICHIGAN**

**FINANCIAL REPORT WITH ADDITIONAL INFORMATION  
FOR YEAR ENDED JUNE 30, 2005**

# TOWNSHIP OF LAPEER

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# BROWN & KENT, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

951 S. MAIN STREET, SUITE #3

LAPEER, MICHIGAN 48446

(810) 664-4470

FAX (810) 664-3601

### INDEPENDENT AUDITORS' REPORT

To the Board Members  
Township of Lapeer  
Lapeer, MI 48446

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Lapeer (the "Township"), Lapeer, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Lapeer, Lapeer, Michigan, at June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lapeer's basic financial statements. The accompanying other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Brown & Kent, P.C.*

Certified Public Accountants

August 18, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOWNSHIP OF LAPEER  
LAPEER COUNTY  
LAPEER, MICHIGAN**

**Management's Discussion and Analysis**

As management of the Township of Lapeer, Lapeer County, Lapeer, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the Township's financial activities for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented herein in conjunction with the Township's financial statements.

**Using this Annual Report**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. It also contains other supplemental information to provide a greater detail of the data presented in the basic financial statements.

**Government-wide Financial Statements**

Government-wide financial statements provide information about the activities of the Township, presenting a broad long-term overview of the Township's finances, in a manner similar to a private-sector business. This longer-term view uses the accrual basis of accounting, so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Net Assets and the Statement of Activities report the governmental activities for the Township, which encompasses all of the Township's services, including general government, public safety, public works and cemetery operations. Property taxes and unrestricted state-shared revenue finance most of these activities.

**Reporting the Township's Most Significant Funds – Fund Financial Statements**

The Township's fund financial statements provide detailed information about the most significant funds, not the Township as a whole.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law.

These fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

All of the funds of the Township can be divided into two categories:

- (1) Governmental Funds – Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements.
- (2) Fiduciary Funds – The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the Township's own programs.

### Notes to the Financial Statements

The notes that follow the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### The Township as a Whole

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position.

The following table shows, in a condensed format, the Net Assets as of June 30, 2005.

	June 30, 2005	June 30, 2004	Increase / (Decrease)
Assets			
Current Assets	\$ 1,052,858	\$ 891,412	\$ 161,446
Capital Assets – Net of Depreciation	742,887	758,041	(15,154)
Total Assets	1,795,745	1,649,453	146,292
Liabilities			
Current Liabilities	74,335	86,181	(11,846)
Total Liabilities	74,335	86,181	(11,846)
Net Assets			
Invested in Capital Assets	742,887	758,041	(15,154)
Restricted	34,372	31,502	2,870
Unrestricted	944,151	773,729	170,422
Total Net Assets	\$ 1,721,410	\$ 1,563,272	\$ 158,138



The following table shows the changes of the net assets during the fiscal year ending June 30, 2005.

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>Increase / (Decrease)</u>
Revenue			
Program Revenues			
Charges for Services	\$ 98,286	\$ 93,736	\$ 4,550
General Revenue			
Property Taxes and Collection Fees	319,431	303,537	15,894
State-shared Revenue	338,675	351,660	(12,985)
Franchise Fees	18,875	18,641	234
Other Revenue	83,514	48,920	34,594
Total Revenue	858,781	816,494	42,287
Program Expenses			
General Government	358,182	314,724	43,458
Public Safety	253,446	266,104	(12,658)
Public Works	76,995	211,808	(134,813)
Cemetery	12,020	16,224	(4,204)
Total Program Expenses	700,643	808,860	(108,217)
Change in Net Assets	158,138	7,634	150,504
Net Assets – Beginning of year	1,563,272	1,555,638	7,634
Net Assets – End of year	<u>\$ 1,721,410</u>	<u>\$ 1,563,272</u>	<u>\$ 158,138</u>

The Township's total governmental revenues, as reported in the Statement of Activities, totaled approximately \$859,000, up from the prior fiscal year. There was significant decrease in state-shared revenue, while revenues from property taxes, fire fines, interest and reimbursed engineering costs showed increases over the prior year. Total program expenses, as reported in the Statement of Activities, totaled approximately \$700,000, down from the prior fiscal year. There were significant decreases in the cost of fire protection services and roadwork. There were significant increases in Township planning, engineering, and legal costs.

### **The Township's Funds**

The Township uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Township is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Township's overall financial health. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements.

The Township completed this year with a combined fund balance of \$978,523, an increase of \$173,292 from last year. The General Fund's fund balance increased \$113,116. The Capital Improvement Fund's fund balance shows a decrease, while the Revolving Improvement Fund's fund balance showed an increase from the previous year.

The General Fund accounts for most of the Township's government services. The most significant are fire protection, law enforcement, assessing, and roads. Management of these services is not supported by special millages, but through the general revenues of property taxes and state-shared revenue.

## **Capital Asset and Debt Administration**

### **Capital Assets**

At June 30, 2005, the Township had \$1,050,437 invested in a broad range of capital assets, including land, buildings, and equipment. This amount represents a net increase of \$25,383.

Land and Improvements	\$ 437,934
Buildings and Improvements	484,775
Equipment	127,728
Total Capital Assets	<u>1,050,437</u>
Less Accumulated Depreciation	307,550
Net Capital Assets	<u>\$ 742,887</u>

The major additions this year include the finishing of the improvements to the Township hall parking lot and upgrading the Township's computer system.

### **Debt Administration**

The Township has no long-term debt.

## **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year, such as the Township's decision to participate in the county wide recycling project. There was an increase in total revenues budgeted in the amount of \$400. There was a \$5,000 increase in total appropriations.

## **Economic Factors and Next Year's Budget**

Because of the impact of Proposal A, the Headlee Amendment, expected decreases in State-shared Revenue, drastic rises in fuel costs and major increases in contracts for services, the Township must be vigilant in overseeing the budget. The Township's fire protection contract with the City of Lapeer has almost doubled from the prior contract. Demands from land owners for sewer and water services and pending hearings with the State Boundary Commission over annexation requests will bring an increase in legal and engineering fees, which continue to be a strain on the Township's General Fund.

The Township's budget for 2005-2006 will allow for current services to continue. However, the condition of some of the Township roads is rapidly deteriorating and will need to be addressed in the near future.

The Township ended its 2004-2005 fiscal year with a fund balance of \$435,877, in the General Fund. Budgeted Revenues for the 2005-2006 fiscal year amounts to \$783,605, excluding operating transfers from other funds. This is down from the 2004-2005 fiscal year actual revenues. Budgeted Expenses for the 2005-2006 fiscal year amounts to \$1,093,771, excluding operating transfers to other funds. Operating transfers into the General Fund are \$210,000, and operating transfers out of the General Fund are \$20,000. The overall decrease to the General Fund's fund balance is budgeted to be \$120,166, leaving a fund balance of \$315,711.

## **Contacting the Township's Management**

This financial report is intended to provide our residents, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 1500 Morris Road, Lapeer, MI 48446.

## **BASIC FINANCIAL STATEMENTS**

**TOWNSHIP OF LAPEER  
STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Demand Deposits	\$ 17,197
Savings Deposits	374,183
Investments	546,373
Petty Cash	225
Accounts Receivable - Fire Runs	54,018
Accounts Receivable - State Shared Revenue	51,550
Accounts Receivable	9,156
Prepaid Expenses	<u>156</u>
Total Current Assets	<u>1,052,858</u>
Capital Assets:	
Land	11,593
Land Improvements, net of depreciation	383,250
Building and Improvements, net of depreciation	305,119
Equipment, net of depreciation	<u>42,925</u>
Total Capital Assets	<u>742,887</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,795,745</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 51,281
Accrued Payroll	18,688
Accrued Pension	<u>4,366</u>
<b>TOTAL LIABILITIES</b>	<u>74,335</u>
<b>NET ASSETS</b>	
Invested in capital assets	742,887
Restricted for:	
Permanent Fund - Perpetual Care	34,372
Unrestricted	<u>944,151</u>
<b>TOTAL NET ASSETS</b>	<u>1,721,410</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,795,745</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER  
STATEMENT OF ACTIVITIES  
FOR YEAR ENDED JUNE 30, 2005**

	Functions / Programs				
	General Government	Public Safety	Public Works	Cemetery	Totals
<b>EXPENSES</b>					
Salaries and Benefits	\$ 171,112	\$ 82,485	\$ -	\$ 1,812	\$ 255,409
Employment Taxes	13,567	2,334	-	59	15,960
Professional Services	65,906	145,816	-	6,320	218,042
Materials and Supplies	9,034	4,650	-	236	13,920
Repairs and Maintenance	5,267	2,829	-	500	8,596
Roads	-	-	50,059	-	50,059
Recycling	-	-	1,572	-	1,572
Street Lights	-	-	8,982	-	8,982
Other Program Expenses	57,794	3,029	16,382	3,093	80,298
Depreciation	<u>35,502</u>	<u>12,303</u>	<u>-</u>	<u>-</u>	<u>47,805</u>
<b>TOTAL EXPENSES</b>	<b>358,182</b>	<b>253,446</b>	<b>76,995</b>	<b>12,020</b>	<b>700,643</b>
<b>PROGRAM REVENUES</b>					
Charges for Services	11,245	72,803	1,488	12,750	98,286
Operating Grants and Contribution	-	-	-	-	-
Capital Grants and Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET PROGRAM (EXPENSES) REVENUES</b>	<b><u>(346,937)</u></b>	<b><u>(180,643)</u></b>	<b><u>(75,507)</u></b>	<b><u>730</u></b>	<b><u>(602,357)</u></b>
<b>GENERAL REVENUES</b>					
Property Taxes					280,819
Collection Fees					38,612
State Shared Revenue					338,675
Property Transfer - City					14,062
Interest Income					19,746
Cable TV Franchise Fee					18,875
Hall Rental					3,225
Sale of Capital Assets					200
Miscellaneous					<u>46,281</u>
<b>TOTAL GENERAL REVENUES</b>					<b><u>760,495</u></b>
<b>CHANGE IN NET ASSETS</b>					<b>158,138</b>
<b>NET ASSETS - BEGINNING</b>					<b><u>1,563,272</u></b>
<b>NET ASSETS - ENDING</b>					<b><u>\$1,721,410</u></b>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	General Fund	Capital Improvement Fund	Revolving Improvement Fund
<b>ASSETS</b>			
Demand Deposits	\$ 17,197	\$ -	\$ -
Savings Deposits	339,411	-	-
Investments	38,499	109,939	397,935
Petty Cash	225	-	-
Accounts Receivable - Fire Runs	54,018	-	-
Accounts Receivable - State Shared Revenue	51,550	-	-
Accounts Receivable - Other	9,156	-	-
Prepaid Expenses	156	-	-
<b>TOTAL ASSETS</b>	<u>\$ 510,212</u>	<u>\$ 109,939</u>	<u>\$ 397,935</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 51,281	\$ -	\$ -
Accrued Payroll	18,688	-	-
Accrued Pension	4,366	-	-
<b>TOTAL LIABILITIES</b>	<u>74,335</u>	<u>-</u>	<u>-</u>
<b>FUND EQUITY</b>			
Fund Balance			
Unreserved - Undesignated	435,877	109,939	397,935
<b>TOTAL FUND EQUITY</b>	<u>435,877</u>	<u>109,939</u>	<u>397,935</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 510,212</u>	<u>\$ 109,939</u>	<u>\$ 397,935</u>

The accompanying notes are an integral part of the financial statements.

Other Governmental Funds	Total Governmental Funds	Reconciliation of Total Governmental Funds Balances to Net Assets of Governmental Activities	
\$ -	\$ 17,197	Total Governmental Funds Balances	\$ 978,523
34,772	374,183	Amounts reported for Governmental Activities in the Statement of Net Assets are different because:	
-	546,373	Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds	<u>742,887</u>
-	225		
-	54,018		
-	51,550		
-	9,156		
-	156		
<u>\$ 34,772</u>	<u>\$ 1,052,858</u>	Net Assets of Governmental Activities	<u>\$ 1,721,410</u>
\$ -	\$ 51,281		
-	18,688		
-	4,366		
-	74,335		
<u>34,772</u>	<u>978,523</u>		
<u>34,772</u>	<u>978,523</u>		
<u>\$ 34,772</u>	<u>\$ 1,052,858</u>		

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR YEAR ENDED JUNE 30, 2005**

	General Fund	Capital Improvement Fund	Revolving Improvement Fund
REVENUES			
Taxes	\$ 319,431	\$ -	\$ -
Licenses and Fees	3,425	-	-
Intra-governmental	352,737	-	-
Charges for Services	88,371	-	-
Fines and Forfeits	3,620	-	-
Sale of Capital Assets	200	-	-
Interest	11,620	1,783	6,177
Miscellaneous	67,569	-	-
	<u>846,973</u>	<u>1,783</u>	<u>6,177</u>
TOTAL REVENUES			
EXPENDITURES			
General Government	350,517	-	-
Public Safety	245,958	-	-
Public Works	76,995	-	-
Cemetery	12,020	-	-
	<u>685,490</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>161,483</u>	<u>1,783</u>	<u>6,177</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	46,633	20,000	75,000
Operating Transfers Out	(95,000)	(45,654)	-
	<u>(48,367)</u>	<u>(25,654)</u>	<u>75,000</u>
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	113,116	(23,871)	81,177
FUND BALANCE - JULY 1, 2004	<u>322,761</u>	<u>133,810</u>	<u>316,758</u>
FUND BALANCE - JUNE 30, 2005	<u>\$ 435,877</u>	<u>\$ 109,939</u>	<u>\$ 397,935</u>

The accompanying notes are an integral part of the financial statements.



Other Governmental Funds	Total Governmental Funds	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
\$ -	\$ 319,431	Net Change in Fund Balance -
-	3,425	Total Governmental Funds \$ 173,292
-	352,737	
2,870	91,241	Amounts reported for Governmental Activities
-	3,620	in the Statement of Activities are different
-	200	because:
167	19,747	Governmental Funds report capital outlays as
812	68,381	expenditures. in the Statement of Activities,
3,849	858,782	the cost of those assets is allocated over
-	350,517	their estimated useful lives as depreciation
-	245,958	expenses. This is the amount by which
-	76,995	depreciation exceeded capital outlays in the
-	12,020	current period (15,154)
-	685,490	Change in Net Assets of Governmental Activities \$ 158,138
3,849	173,292	
-	141,633	
(979)	(141,633)	
(979)	-	
2,870	173,292	
31,902	805,231	
\$ 34,772	\$ 978,523	

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF LAPEER  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2005**

	<u>Trust &amp; Agency Fund</u>	<u>Tax Collection Fund</u>	<u>Total Agency Funds</u>
ASSETS			
Demand Deposits	<u>\$ 89,197</u>	<u>\$ -</u>	<u>\$ 89,197</u>
TOTAL ASSETS	<u><u>\$ 89,197</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 89,197</u></u>
LIABILITIES			
Due to Others	<u>\$ 89,197</u>	<u>\$ -</u>	<u>\$ 89,197</u>
TOTAL LIABILITIES	<u><u>\$ 89,197</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 89,197</u></u>

The accompanying notes are an integral part of the financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2005**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the Township of Lapeer (the “Township”), conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of the Township are described below.

**A. REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards, and agencies that are not legally separate from the Township. For the Township, this includes providing police protection, fire services, road maintenance and repairs, cemeteries, and planning and zoning. The Board of Trustees and the Township Administrator have direct responsibility for these activities.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority or the organization’s governing board; and (1) the Township is able to significantly influence the programs or services performed or provided by the organization, or (2) the Township is legally entitled to or can otherwise access the organization’s resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organizations. Component units may also include organizations for which the Township authorizes the issuance of debt or the levying of taxes, or determines the budget.

Based on the aforementioned criteria, the Township of Lapeer has no component units.

**B. BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include; (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2005**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. BASIS OF PRESENTATION** (Continued)

**FUND FINANCIAL STATEMENTS**

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The Township has presented the following major governmental funds.

General Fund – The General Fund is the general operating fund of the Township. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Improvement Fund – The Capital Improvement Fund is used to set aside monies for the future construction of governmental capital assets. When items are constructed money is moved from this fund to the General Fund and expenditures are accounted for there.

Revolving Improvement Fund – The Revolving Improvement Fund is used to set aside monies for the future non-maintenance roadwork. When items are constructed money is moved from this fund to the General Fund and expenditures are accounted for there.

Additionally, the Township has two agency fiduciary funds as follows:

Trust and Agency Fund – This fund is used to account for the collection and disbursement of performance and other deposits payable.

Tax Collection Fund – This fund is used to account for the collection and disbursement of property taxes assessed within the Township.

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured, basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time liability is incurred.

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2005**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING** (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and intergovernmental revenues. Sales taxes collected and held by the State at year-end on behalf of the Township are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

**D. BUDGETS AND BUDGETARY ACCOUNTING**

The Township Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the beginning of the fiscal year, the Board proposes an operating budget for each budgetary fund. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. State statute requires that the budget be submitted in summary form. Also, more detailed line item budgets are included for administrative control.
- (2) A public hearing is conducted to obtain taxpayer comment.
- (3) The budgets are adopted by a majority vote of the Township Board.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- (5) Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Amendments to the Budget are approved by the Township Board, as necessary.

**E. CASH EQUIVALENTS**

The Township considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**F. INVESTMENTS**

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2005**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**G. INTERFUND TRANSACTIONS**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations.

**H. CAPITAL ASSETS**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated Assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets capitalized have an original cost of \$500 or more for equipment and \$5,000 or more for non-equipment, and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	5-50 years
Equipment	5-20 years
Land Improvements	15-20 years

**I. NET ASSETS**

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**J. INTERFUND RECEIVABLES AND PAYABLES**

Short-term amounts owed between funds are classified as "Due to/from other funds."

**K. USE OF ESTIMATES**

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS**

All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2005**

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (Continued)

STATUTORY AUTHORITY

Act 217, PA 1982, authorizes the Township to deposit and invest in:

- (1) Bonds and other direct obligations of the United States or its agencies,
- (2) Certificates of deposits, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations, or credit unions insured by the national credit union administration that are eligible to be a depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146), and
- (3) Mutual funds composed of investments, which are legal for direct investment of local government.

CASH AND EQUIVALENTS

A summary of cash and equivalents as of June 30, 2005 follows:

	Carrying Value	Bank Balance	Covered By FDIC Insurance
Demand Deposits	\$ 106,394	\$ 120,762	\$ 101,129
Savings Deposits	374,183	374,183	246,502
Petty Cash	225	-	-
	<u>\$ 480,802</u>	<u>\$ 494,945</u>	<u>\$ 347,631</u>

Bank balance does not reflect deposits in transit or outstanding checks.

FDIC Regulation Number 330.8, provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000, in every financial institution that is not a branch location and that is a member of FDIC in the following deposit accounts:

- (1) All demand, non-interest bearing accounts (checking), in the name of the authorized or statutory custodian (treasurer) of public funds.
- (2) All savings deposits, which include regular passbook, daily interest savings, and time certificates of deposit in the name of the governmental unit's custodian.

INVESTMENTS

The Governmental Accounting Standards Board of the Financial Accounting Foundation Statement 3, includes the requirement that a government entity's investments be classified into three categories of credit risk. The categories are:

- (1) Insured or registered securities held by the government entity of its agent in the entity's name;
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name; and
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.



**TOWNSHIP OF LAPEER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED JUNE 30, 2005**

NOTE 2 – CASH AND EQUIVALENTS AND INVESTMENTS (Continued)

INVESTMENTS (Continued)

The Township has invested \$538,818 with Comerica Bank in their Investment Fund and \$7,555 with Standard Federal Bank in their State Shared Revenue Account. These mutual fund investments cannot be categorized, because they are not evidenced by securities that exist in physical or book entry form.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance 7-01-04	Additions	Deletions	Balance 6-30-05
Capital Assets Not Being Depreciated				
Land	\$ 11,593	\$ -	\$ -	\$ 11,593
Total Capital Assets Not Being Depreciated	11,593	-	-	11,593
Capital Assets Being Depreciated				
Land Improvements	403,725	22,616	-	426,341
Building and Improvements	484,775	-	-	484,775
Equipment	124,961	10,035	7,268	127,728
Total Capital Assets Being Depreciated	1,013,461	32,651	7,268	1,038,844
Less Accumulated Depreciation For				
Land Improvements	22,928	20,163	-	43,091
Building and Improvements	166,822	12,834	-	179,656
Equipment	77,263	14,808	7,268	84,803
Total Accumulated Depreciation	267,013	47,805	7,268	307,550
Total Capital Assets Being Depreciated, Net	746,448	(15,154)	-	731,294
Total Government Assets, Net	\$ 758,041	\$ (15,154)	\$ -	\$ 742,887

Depreciation expense was charged as direct expense to programs of the primary government as follows:

General Government	\$ 35,502
Public Safety	12,303
Public Works	-
Total Depreciation Expense	\$ 47,805

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2005**

**NOTE 4 – PROPERTY TAXES**

The Township's property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2004 tax is levied and collectible on December 1, 2004, and is recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Township totaled approximately \$171,437,328, on which taxes levied consisted of 1.6287 mills for operating purposes. This resulted in approximately \$280,000 for operating purposes. This amount was recognized in the General Fund financial statements as tax revenue.

**NOTE 5 – INTERFUND TRANSACTIONS**

**Operating Transfers**

Operating transfers constitute the transfer of resources from the fund that received the resources to the fund that utilized them. The interfund transfers are as follows:

<u>Fund</u>	<u>Operating Transfer In</u>	<u>Fund</u>	<u>Operating Transfer Out</u>
Special Revenue -		General Fund	\$ 95,000
Capital Improvement	\$ 20,000	Special Revenue -	
Revolving Improvement	75,000	Liquor Law	815
		Disaster Contingency	2
		Capital Improvement	45,654
		Permanent Fund -	
		Cemetery	162
General Fund	<u>46,633</u>		
Total	<u>\$ 141,633</u>	Total	<u>\$ 141,633</u>

There were no interfund receivables or payables.

**NOTE 6 – PENSION PLAN**

The Township makes annual contributions to the Manulife Financial Defined Contribution Plan for Governmental Employees for all eligible employees.

The Township contributed \$33,744 to the plan for the year ended June 30, 2005.

**TOWNSHIP OF LAPEER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR YEAR ENDED JUNE 30, 2005**

**NOTE 7 – FIRE DEPARTMENT CONTRACT**

The City of Lapeer provides fire department services to the Township of Lapeer. The City of Lapeer was paid a standby fee of \$26,000 for the period from July 1, 2004 through June 30, 2005. The City also charges additional fees for each fire run.

The additional fees are paid by the Township of Lapeer when billed by the fire departments. The Township then bills the person who was provided the fire run service.

**NOTE 8 – MAINTENANCE AND PERFORMANCE GUARANTEE BONDS**

In compliance with Township ordinances, a bond is required for a minimum of 6% of total site improvement costs. These costs are to be returned upon final approval. Cash that is received by the Township is recorded into the general fund Investment account and into the Due to Others account. The developer may obtain a jointly named certificate of deposit to comply with the bonding requirements. The certificates of deposit are not reflected in these basic financial statements, since the Township does not have custody or ownership of the funds.

**NOTE 9 – RISK MANAGEMENT**

The Township has exposure to risks of loss due to torts, errors and omissions, and property loss. The Township manages these risks by purchasing commercial insurance.

**NOTE 10 – CONTINGENCIES**

The Township is involved in Michigan Tax Tribunal cases involving several years of property tax appeals by Detroit Edison and Consumers Energy. If the plaintiffs were successful, there would be a partial refund. The probability of an unfavorable outcome cannot be determined, at this time. Accordingly, no accrual has been made.

The Township is also continuously involved in District Court ordinance enforcement actions. These District Court matters do not involve costs to the Township beyond prosecution expenses.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
TAXES:				
Property Taxes	\$ 274,654	\$ 274,654	\$ 280,819	\$ 6,165
Collection Fees and Penalties	30,600	30,600	38,612	8,012
TOTAL TAXES	305,254	305,254	319,431	14,177
LICENSES & PERMITS:				
Development Fees	1,200	1,200	3,375	2,175
Business Licenses	50	50	50	-
TOTAL LICENSES & PERMITS	1,250	1,250	3,425	2,175
INTERGOVERNMENTAL :				
State Revenue Sharing	330,000	330,000	338,675	8,675
City Property Transfer	15,000	15,000	14,062	(938)
TOTAL INTERGOVERNMENTAL	345,000	345,000	352,737	7,737
CHARGES FOR SERVICES:				
Cemetery	5,700	6,100	9,880	3,780
Fire Services	60,000	60,000	68,203	8,203
Special Assessments	1,000	1,000	1,488	488
Special Meetings	3,100	3,100	8,800	5,700
TOTAL CHARGES FOR SERVICES	69,800	70,200	88,371	18,171
FINES & FORFEITS:				
Penal Fines	3,000	3,000	3,620	620
TOTAL FINES & FORFEITS	3,000	3,000	3,620	620
MISCELLANEOUS SOURCES:				
Interest Earned	2,500	2,500	11,620	9,120
Township Hall Rental	2,200	2,200	3,225	1,025
Cable TV	15,000	15,000	18,875	3,875
Sale of Fixed Assets	100	100	200	100
Other Revenue	11,100	11,100	45,469	34,369
TOTAL MISCELLANEOUS SOURCES	30,900	30,900	79,389	48,489
TOTAL REVENUES	755,204	755,604	846,973	91,369

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES				
GENERAL GOVERNMENT				
TRUSTEE:				
Salary	\$ 8,800	\$ 8,800	\$ 8,800	\$ -
Life Insurance	1,000	1,000	821	179
Professional Services	1,000	2,500	2,723	(223)
Membership/Subscriptions	1,000	3,300	3,291	9
Conferences/Education	1,200	1,200	317	883
Community Promotion	1,600	1,600	200	1,400
Bonds	50	50	-	50
Miscellaneous	1,000	-	-	-
TOTAL TRUSTEE	<u>15,650</u>	<u>18,450</u>	<u>16,152</u>	<u>2,298</u>
SUPERVISOR:				
Salary	27,100	26,100	25,429	671
Deputy	1,500	-	-	-
Medical Insurance	4,600	4,600	3,632	968
Life Insurance	400	400	285	115
Conferences/Education	1,200	1,200	697	503
Bonds	50	50	-	50
Hardware	-	600	599	1
TOTAL SUPERVISOR	<u>34,850</u>	<u>32,950</u>	<u>30,642</u>	<u>2,308</u>
COMMITTEES:				
Wages	2,500	3,500	3,573	(73)
Conferences/Education	300	300	288	12
TOTAL COMMITTEES	<u>2,800</u>	<u>3,800</u>	<u>3,861</u>	<u>(61)</u>
ELECTIONS:				
Wages	4,000	5,500	5,424	76
Office Supplies	2,500	500	401	99
Professional Services	2,000	300	240	60
Publishing/Newspaper	500	500	380	120
Equipment & Hardware	1,000	1,000	940	60
TOTAL ELECTIONS	<u>10,000</u>	<u>7,800</u>	<u>7,385</u>	<u>415</u>
AUDITOR:				
Professional Services	10,000	10,000	8,740	1,260
TOTAL AUDITOR	<u>10,000</u>	<u>10,000</u>	<u>8,740</u>	<u>1,260</u>

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
ASSESSOR:				
Salary	\$ 25,900	\$ 9,900	\$ 9,820	\$ 80
Office Supplies	-	1,300	1,206	94
Operating Supplies	1,500	100	78	22
Professional Services	-	30,000	25,000	5,000
County Contract	200	200	-	200
Conferences/Education	500	500	150	350
Maintenance & Repairs	700	700	-	700
Miscellaneous	500	100	-	100
Equipment	1,000	1,000	848	152
Software	1,000	1,400	1,310	90
TOTAL ASSESSOR	<u>31,300</u>	<u>45,200</u>	<u>38,412</u>	<u>6,788</u>
ATTORNEY:				
Professional Services	<u>14,700</u>	<u>15,750</u>	<u>16,576</u>	<u>(826)</u>
TOTAL ATTORNEY	<u>14,700</u>	<u>15,750</u>	<u>16,576</u>	<u>(826)</u>
CLERK:				
Wages	32,500	32,500	32,533	(33)
Deputy	1,500	2,625	2,522	103
Health Insurance	-	1,550	1,074	476
Life Insurance	250	150	115	35
Conferences/Education	2,000	1,600	1,507	93
Bonds	50	110	110	-
Equipment	-	900	848	52
TOTAL CLERK	<u>36,300</u>	<u>39,435</u>	<u>38,709</u>	<u>726</u>
TREASURER:				
Salary	29,200	28,200	27,408	792
Deputy	1,000	4,000	3,811	189
Life Insurance	375	375	203	172
Office Supplies	700	700	501	199
County Contract/Expenses	500	500	53	447
Conferences/Education	1,500	1,500	1,348	152
Bonds	125	125	-	125
Property Tax Chargebacks	200	200	-	200
Equipment	1,500	1,500	1,447	53
Software	700	700	635	65
TOTAL TREASURER	<u>35,800</u>	<u>37,800</u>	<u>35,406</u>	<u>2,394</u>

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
BOARD OF REVIEW:				
Wages	\$ 1,500	\$ 1,500	\$ 1,215	\$ 285
Conferences/Education	100	225	223	2
Publishing/Newspaper	250	250	94	156
TOTAL BOARD OF REVIEW	<u>1,850</u>	<u>1,975</u>	<u>1,532</u>	<u>443</u>
TOWNSHIP HALL GROUNDS:				
Operating Supplies	2,000	1,250	766	484
Professional Services	8,600	8,600	8,299	301
Contractual Mowing	2,200	2,200	1,733	467
Contractual Snow Removal	1,600	2,600	2,520	80
Electricity	2,600	2,600	2,466	134
Utilities, Gas and Oil	3,800	4,500	4,638	(138)
Maintenance and Repairs	5,000	3,500	2,835	665
Lease Security Systems	1,400	1,400	550	850
Land Improvements	80,000	80,000	24,215	55,785
Building Improvements	7,500	7,500	-	7,500
Office Equipment	8,000	8,000	-	8,000
TOTAL TOWNSHIP HALL GROUNDS	<u>122,700</u>	<u>122,150</u>	<u>48,022</u>	<u>74,128</u>
GENERAL OFFICE:				
Salary	8,200	17,200	17,395	(195)
Office Supplies	1,500	3,000	2,497	503
Postage	7,000	5,500	3,811	1,689
Operating Supplies	3,000	3,000	1,747	1,253
Professional Services	-	-	75	(75)
Telephone	3,000	3,000	2,847	153
Conferences/Education	200	200	51	149
Publishing/Newspaper	2,500	2,500	1,077	1,423
Printing/Ordinances, etc.	3,800	3,800	1,641	2,159
Bond	-	175	172	3
Maintenance and Repairs	3,000	3,000	2,433	567
Miscellaneous	200	200	25	175
Hardware	2,000	4,200	4,149	51
Equipment	6,000	55	52	3
Software	1,200	3,900	3,812	88
TOTAL GENERAL OFFICE	<u>41,600</u>	<u>49,730</u>	<u>41,784</u>	<u>7,946</u>

See Notes to Required Supplemental Information.



**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
GENERAL GOVERNMENT (Continued)				
OTHER GENERAL GOVERNMENT				
Township Pension	\$ 27,925	\$ 29,732	\$ 27,052	\$ 2,680
Pension Administration	1,800	1,800	1,058	742
Insurance Premium	21,000	21,620	21,619	1
Township Social Security	8,725	11,919	10,997	922
Township Medicare	2,110	2,884	2,570	314
TOTAL OTHER GENERAL GOVERNMENT	61,560	67,955	63,296	4,659
TOTAL GENERAL GOVERNMENT	419,110	452,995	350,517	102,478
CEMETERY:				
Salary	4,000	4,000	1,812	2,188
Social Security	250	48	48	-
Medicare	60	12	11	1
Office Supplies	300	300	-	300
Operating Supplies	700	700	236	464
Professional Services	1,000	1,000	160	840
Contractual Mowing	7,500	7,500	6,160	1,340
Contractual Snow Removal	400	400	-	400
Openings, Closings, Foundations	2,500	3,000	2,927	73
Utilities	150	150	104	46
Maintenance/Repairs	500	500	-	500
Veterans Memorial	100	100	-	100
Miscellaneous	100	100	62	38
Building and Grounds Improvements	5,000	1,500	500	1,000
Equipment	2,000	2,000	-	2,000
TOTAL CEMETERY	24,560	21,310	12,020	9,290
PUBLIC SAFETY				
LAW ENFORCEMENT:				
Wages	60,000	60,000	55,722	4,278
Wages - Crossing Guard	5,700	5,700	5,174	526
Employer-Social Security	4,075	1,476	1,476	-
Employer-Medicare	960	346	345	1
Life Insurance	725	885	795	90
Pension	15,000	6,693	6,692	1
Operating Supplies	5,000	5,000	1,168	3,832
Gas	3,500	3,500	3,482	18
Membership/Subscriptions	100	100	178	(78)
Conferences/Education	1,500	700	660	40
Maintenance and Repairs	3,000	3,000	2,829	171
Equipment	6,000	6,000	5,366	634
TOTAL LAW ENFORCEMENT	105,560	93,400	83,887	9,513

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (Continued)				
PUBLIC SAFETY (Continued)				
FIRE SERVICE:				
Professional Services	\$ 100,000	\$ 100,000	\$ 84,775	\$ 15,225
TOTAL FIRE SERVICE	<u>100,000</u>	<u>100,000</u>	<u>84,775</u>	<u>15,225</u>
INSPECTION:				
Professional Services	<u>6,000</u>	<u>6,000</u>	<u>2,944</u>	<u>3,056</u>
TOTAL INSPECTION	<u>6,000</u>	<u>6,000</u>	<u>2,944</u>	<u>3,056</u>
PLANNING:				
Wages	8,500	9,100	9,935	(835)
Employer-Social Security	530	295	295	-
Employer-Medicare	140	69	69	-
Operating Supplies	100	100	-	100
Professional Services	31,000	16,000	33,126	(17,126)
Township Engineering	-	26,000	24,972	1,028
Membership/Subscriptions	400	1,000	950	50
Conferences/Education	2,000	2,000	41	1,959
Publishing/Newspaper	1,000	1,000	649	351
TOTAL PLANNING	<u>43,670</u>	<u>55,564</u>	<u>70,037</u>	<u>(14,473)</u>
ZONING:				
Wages	4,500	4,500	4,166	334
Employers-Social Security	280	122	121	1
Employers-Medicare	70	29	28	1
Membership/Subscriptions	50	50	-	50
Conferences/Education	300	300	-	300
TOTAL ZONING	<u>5,200</u>	<u>5,001</u>	<u>4,315</u>	<u>686</u>
TOTAL PUBLIC SAFETY	<u>260,430</u>	<u>259,965</u>	<u>245,958</u>	<u>14,007</u>
PUBLIC WORKS				
Ambulance	35,000	35,000	15,234	19,766
Drains at Large	1,000	1,000	748	252
Miscellaneous	-	400	400	-
Recycling	-	1,700	1,572	128
Roads	235,000	245,500	50,059	195,441
Street Lights	7,000	8,600	8,982	(382)
Transportation	5,000	5,000	-	5,000
Capital Outlay	4,000	4,000	-	4,000
TOTAL PUBLIC WORKS	<u>287,000</u>	<u>301,200</u>	<u>76,995</u>	<u>224,205</u>
CONTINGENCY	<u>85,000</u>	<u>45,630</u>	<u>-</u>	<u>45,630</u>

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
TOTAL EXPENDITURES	<u>\$ 1,076,100</u>	<u>\$1,081,100</u>	<u>\$ 685,490</u>	<u>\$ 395,610</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(320,896)</u>	<u>(325,496)</u>	<u>161,483</u>	<u>486,979</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	150,815	150,815	46,633	(104,182)
Operating Transfers Out	<u>(95,000)</u>	<u>(95,000)</u>	<u>(95,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>55,815</u>	<u>55,815</u>	<u>(48,367)</u>	<u>(104,182)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(265,081)	(269,681)	113,116	382,797
FUND BALANCE - JULY 1, 2004	<u>322,761</u>	<u>322,761</u>	<u>322,761</u>	<u>-</u>
FUND BALANCE - JUNE 30, 2005	<u><u>\$ 57,680</u></u>	<u><u>\$ 53,080</u></u>	<u><u>\$ 435,877</u></u>	<u><u>\$ 382,797</u></u>

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENT FUND  
FOR YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Interest	\$ 3,000	\$ 3,000	\$ 1,783	\$ (1,217)
TOTAL REVENUES	3,000	3,000	1,783	(1,217)
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,000	3,000	1,783	(1,217)
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	100,000	20,000	20,000	-
Operating Transfers Out	(135,000)	(87,500)	(45,654)	41,846
TOTAL OTHER FINANCING SOURCES (USES)	(35,000)	(67,500)	(25,654)	41,846
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(32,000)	(64,500)	(23,871)	40,629
FUND BALANCE - JULY 1, 2004	133,810	133,810	133,810	-
FUND BALANCE - JUNE 30, 2005	<u>\$ 101,810</u>	<u>\$ 69,310</u>	<u>\$ 109,939</u>	<u>\$ 40,629</u>

See Notes to Required Supplemental Information.

**TOWNSHIP OF LAPEER  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
REVOLVING IMPROVEMENT FUND  
FOR YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Interest	\$ 4,000	\$ 4,000	\$ 6,177	\$ 2,177
TOTAL REVENUES	4,000	4,000	6,177	2,177
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,000	4,000	6,177	2,177
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	200,000	75,000	75,000	-
Operating Transfers Out	(300,000)	(100,000)	-	100,000
TOTAL OTHER FINANCING SOURCES (USES)	(100,000)	(25,000)	75,000	100,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(96,000)	(21,000)	81,177	102,177
FUND BALANCE - JULY 1, 2004	316,758	316,758	316,758	-
FUND BALANCE - JUNE 30, 2005	<u>\$ 220,758</u>	<u>\$ 295,758</u>	<u>\$ 397,935</u>	<u>\$ 102,177</u>

See Notes to Required Supplemental Information.

## **NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF LAPEER  
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
FOR YEAR ENDED JUNE 30, 2005**

**BUDGETARY INFORMATION**

The annual budget is prepared by the Township supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board.

The budget has been prepared in accordance with generally accepted accounting principles for the General Fund and all Special Revenue Funds.

The budget has been adopted on a line item basis. Comparison of actual results of operations to the budgets of the General Fund and Major Special Revenue Funds, as adopted by the Township Board, are included in the Required Supplemental Information of the basic financial statements. A comparison of the actual results of operations to the Non-major Special Revenue Funds budgets, as adopted by the Township, is included in the Other Supplemental Information section of the financial statements.

**EXCESS OF EXPENDITURES OVER BUDGETED AMOUNTS**

The Township had material expenditure budget overruns as follows:

<u>Fund and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Public Safety			
Planning	\$ 55,564	\$ 70,037	\$ (14,473)

## **OTHER SUPPLEMENTAL INFORMATION**



**TOWNSHIP OF LAPEER  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	Special Revenue Funds		Permanent Fund	
	Disaster Contingency Fund	Liquor Law Enforcement Fund	Cemetery Trust Fund	Total Non-major Governmental Funds
ASSETS				
Savings Deposits	\$ 300	\$ 100	\$ 34,372	\$ 34,772
TOTAL ASSETS	<u>\$ 300</u>	<u>\$ 100</u>	<u>\$ 34,372</u>	<u>\$ 34,772</u>
FUND EQUITY				
Fund Balance				
Unreserved - Undesignated	\$ 300	\$ 100	\$ 34,372	\$ 34,772
TOTAL FUND EQUITY	<u>\$ 300</u>	<u>\$ 100</u>	<u>\$ 34,372</u>	<u>\$ 34,772</u>

**TOWNSHIP OF LAPEER  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds		Permanent Fund	
	Disaster Contingency Fund	Liquor Law Enforcement Fund	Cemetery Trust Fund	Total Non-major Governmental Funds
REVENUES				
Charges for Services	\$ -	\$ -	\$ 2,870	\$ 2,870
Interest	2	3	162	167
Miscellaneous	-	812	-	812
TOTAL REVENUES	<u>2</u>	<u>815</u>	<u>3,032</u>	<u>3,849</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2</u>	<u>815</u>	<u>3,032</u>	<u>3,849</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	-	-
Operating Transfers Out	<u>(2)</u>	<u>(815)</u>	<u>(162)</u>	<u>(979)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2)</u>	<u>(815)</u>	<u>(162)</u>	<u>(979)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	-	2,870	2,870
FUND BALANCE - JULY 1, 2004	<u>300</u>	<u>100</u>	<u>31,502</u>	<u>31,902</u>
FUND BALANCE - JUNE 30, 2005	<u>\$ 300</u>	<u>\$ 100</u>	<u>\$ 34,372</u>	<u>\$ 34,772</u>

# BROWN & KENT, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

951 S. MAIN STREET, SUITE #3

LAPEER, MICHIGAN 48446

(810) 664-4470

FAX (810) 664-3601

To the Board Members  
Township of Lapeer  
1500 Morris Road  
Lapeer, MI 48446

Dear Board Members:

We have completed our audit of the basic financial statements for the Township of Lapeer (the "Township"), for the year ended June 30, 2005. As a result of our audit, and in addition to our financial report, we offer the following comments and recommendations for your review and consideration. These items have been discussed with your administration.

### Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated August 18, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the basic financial statements. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Revenue Sharing

The Township has and will continue to feel the effects of the slow down in the State's economy. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government), and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line in the State's budget, revenue sharing payments for the State's last couple of years were less than originally projected.

With the major changes in revenue sharing occurring, we realize that the Township is regularly seeking information on projected future revenue sharing payments. To assist the Township in projecting state-shared revenue payments, the Michigan Department of Treasury website is located at <http://treas-secure.state.mi.us/apps/findrevshareinfo.asp>.

Checks clearing bank before date check was written

Several checks during the year cleared the banks before the date they were written. Most notably were several paychecks dated July 1, 2005, which cleared the bank on June 30, 2005. We suggest a policy of not handing out or mailing checks until the date they are written. Example, the payroll checks were written for Friday, July 1, 2005, but were handed out on Thursday, June 30, 2005. The Township offices are closed on Friday. These checks should not have been handed out until the Township's next business day Tuesday, July 5, 2005.

Record Keeping

Salary and wage amounts were posted to various accounts such as "Conferences and Education." All wages should be posted to salary and wage accounts.

Budgeting

Per the Uniform Budgeting and Accounting Act (Act 2 of 1968), Section 16 of Section 141.436, a local unit shall pass a general appropriations act for all funds except trust or agency, internal service, enterprise, debt service, or capital project funds for which the unit may pass a special appropriation act.

While budgets have been prepared for all funds for which the Township is required to budget, a general appropriations act has only been legally adopted for the General Fund.

The Township must adopt a general appropriations act for all funds for which it is required to do so in a timely manner.

Budget Amendments

The Uniform Budgeting and Accounting Act requires a governmental unit to adopt a budget and work within the constraints of that budget, making sure expenditures are appropriately budgeted for at the time of purchase. Any final amendments to the budget should be done within the fiscal year.

We would like to thank the Board for the opportunity to serve as auditors for the Township of Lapeer. We would be happy to answer any questions you have regarding the annual financial report, and would be pleased to discuss the above comments and recommendations at your convenience.

*Brown & Kent, P.C.*

Certified Public Accountants

August 18, 2005